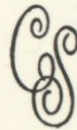


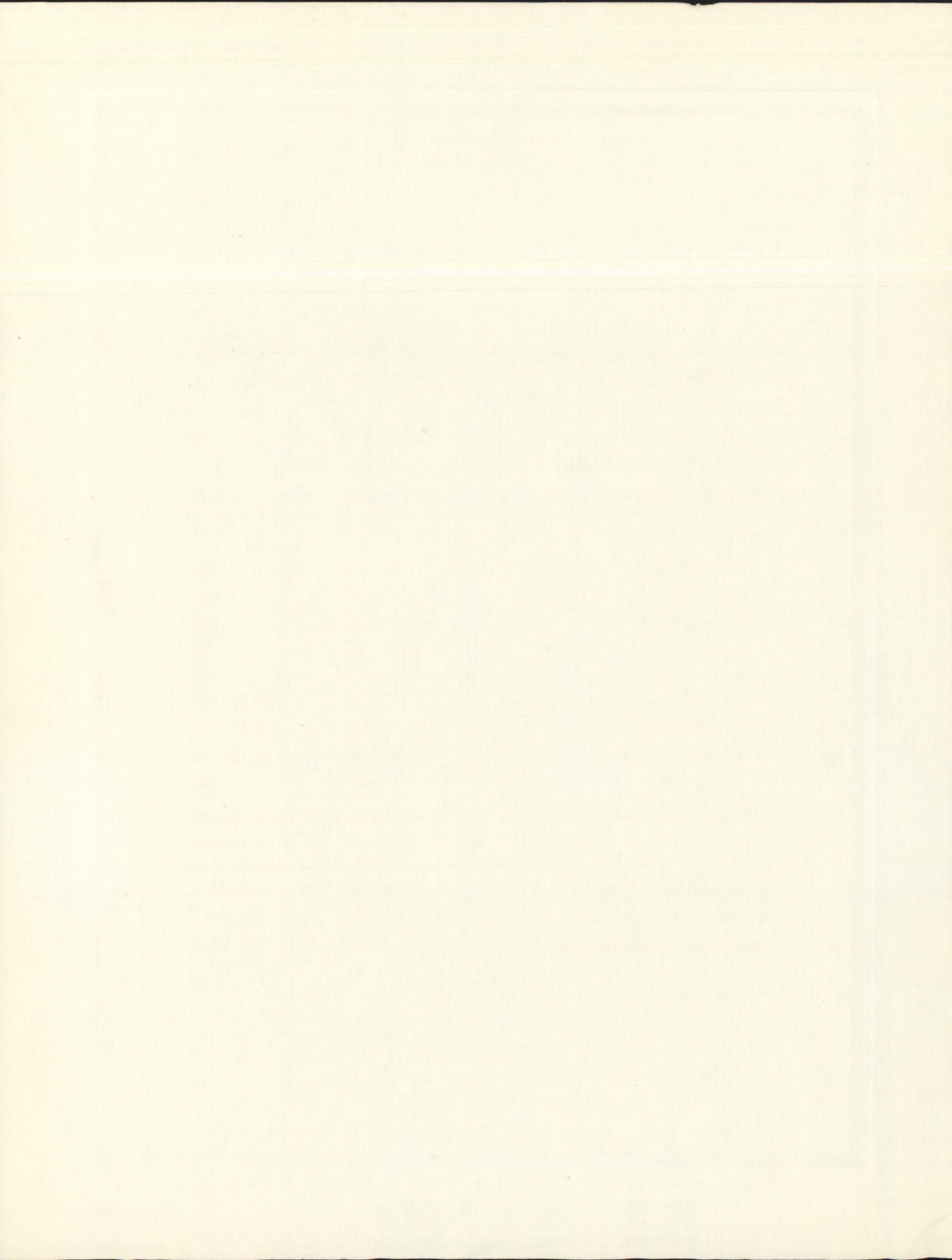
CITY STORES COMPANY

ANNUAL REPORT



JANUARY 29, 1955

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HIGHLIGHTS OF THE YEAR

	<u>Year Ended</u>	
	<u>January 29, 1955</u>	<u>January 30, 1954</u>
Net Retail Sales	\$241,755,000	\$233,227,000
Net Income (excluding unconsolidated subsidiaries)	5,422,000	4,987,000
Earnings per average common share outstanding	2.40	2.20
Dividends:		
Preferred Stock	442,000	477,000
Per Share	4.25	4.25
Common Stock	2,927,000	2,874,000
Per Share	1.40	1.40
Current Assets	97,331,000	88,959,000
Current Liabilities	26,783,000	25,150,000
Working Capital	70,548,000	63,809,000
Current Ratio	3.63	3.54
Property and Equipment	23,566,000	25,524,000
Long-Term Debt	32,768,000	30,242,000
Capital Stock and Surplus	63,088,000	61,065,000
Common Stock Equity	54,074,000	49,883,000
Common Stock Equity per Share	25.07	24.29

CITY STORES COMPANY

320 BANKERS SECURITIES BUILDING

PHILADELPHIA 7, PA.

LIT BROTHERS

Philadelphia, Pa.

Swern & Company, Trenton, N. J.

Branches

69th Street, Upper Darby, Pa.

Northeast, Philadelphia, Pa.

Camden, N. J.*

MAISON BLANCHE

New Orleans, Louisiana

Branches

Carrollton, New Orleans, La.

Gentilly, New Orleans, La.

LOVEMAN, JOSEPH & LOEB

Birmingham, Alabama

Montgomery, Alabama

Branch

Bessemer, Alabama

LANSBURGH'S

Washington, D. C.

Branch

Langley Park, Maryland*

B. LOWENSTEIN & BROS., INC.

Memphis, Tennessee

Branches

Lowensteins East,

Memphis, Tennessee

KAUFMAN-STRAUS COMPANY

Louisville, Kentucky

R. H. WHITE CORPORATION

Boston, Massachusetts

Worcester, Mass.

RICHARD'S

Miami, Florida

CITY SPECIALTY STORES, INC.

New York, N. Y.

OPPENHEIM, COLLINS

Baltimore, Md.*

Buffalo, N. Y.

Brooklyn, N. Y.

Cross County, N. Y.

East Orange, N. J.

Garden City, N. Y.

Hackensack, N. J.

Haddonfield, N. J.

Huntington, N. Y.

Morristown, N. J.

New York, N. Y.

Philadelphia, Pa.

Wilmington, Del.

FRANKLIN SIMON

Atlanta, Ga.

Boston, Mass.

Cleveland, Ohio

East Orange, N. J.

Garden City, N. Y.

Germantown, Phila.

Memphis, Tenn.

Miami, Florida

New York, N. Y.

Philadelphia, Pa.

Washington, D. C.

Westport, Conn.

*To be opened during 1955.

CITY STORES COMPANY

OFFICERS

ALBERT M. GREENFIELD	<i>Chairman of the Board</i>
HERBERT J. SCHWARTZ	<i>President</i>
ALLAN INTRILIGATOR	<i>Vice President and Treasurer</i>
HAROLD W. BRIGHTMAN	<i>Vice President</i>
GORDON K. GREENFIELD	<i>Vice President</i>
ISIDORE NEWMAN, II	<i>Vice President</i>
MAX ROBB	<i>Vice President</i>
O. W. SCHANBACHER	<i>Vice President</i>
RALPH L. GOLDSMITH	<i>Vice President</i>
C. GORDON ANDERSON	<i>Vice President</i>
MILTON A. KAMSLER	<i>Secretary</i>
IRVING J. ZIPIN	<i>Assistant Secretary</i>
GEORGE D. LEWIS	<i>Assistant Secretary</i>
BEN C. MOISE	<i>Assistant Secretary</i>
BERYL E. THOUVENELLE	<i>Assistant Secretary</i>
BENJAMIN SCHNECK	<i>Assistant Treasurer</i>
J. KARL FISHBACH	<i>Assistant Treasurer</i>

DIRECTORS

GUSTAVE G. AMSTERDAM	NATHAN CUMMINGS	GEORGE H. JOHNSON
C. GORDON ANDERSON	ANTHONY G. FELIX	DANIEL O. MORTON
JAMES H. BECKER	LEONARD H. GOLDENSON	ISIDORE NEWMAN, II
MURRY C. BECKER	RALPH L. GOLDSMITH	MAX ROBB
DAVID BORTIN	ALBERT M. GREENFIELD	O. W. SCHANBACHER
HAROLD W. BRIGHTMAN	GORDON K. GREENFIELD	AARON R. SCHARFF
J. J. CAPRANO	JOSEPH A. W. IGLEHART	HERBERT J. SCHWARTZ
CLEMENT V. CONOLE	ALLAN INTRILIGATOR	SERGE SEMENENKO

AUDITORS — ERNST & ERNST, New York, N. Y.

COUNSEL — FOLZ, BARD, KAMSLER, GOODIS & GREENFIELD, Philadelphia, Pa.

TRANSFER AGENTS — THE CHASE MANHATTAN BANK, New York, N. Y.

REGISTRARS — CHEMICAL CORN EXCHANGE BANK, New York, N. Y.

ANNUAL REPORT

April 8th, 1955

To the Stockholders:

Your Company's operations during the 1954 fiscal year followed closely the economic barometer of the nation. The lull in the earlier portion of the year gave way to an increased business resurgence in the last several months and enabled the sales and profits of your Company to exceed those of the previous year as well as reach new heights. This pace has continued during the first part of the current fiscal year. Details of operations and financial condition are fully set forth in this Annual Report.

SALES AND PROFITS

Total net sales for the year ending January 29, 1955 were \$241,754,553 compared with \$233,226,864 the previous year, an increase of 3.7%. These included sales of several new branch stores which opened during the past year and are referred to below under "Expansions and Improvements".

Net profits, after provision for Preferred Stock dividends, totaled \$4,980,000, being \$2.40 per share on the Common Stock against \$2.20 per share last year. Reflected in the total profits for this year were capital gains of \$647,000 and a non-recurring loss of \$854,000 resulting from several months of operations and the ensuing liquidation of Wise, Smith & Company in Hartford.

Dividends on the Common Stock were continued at \$1.40 per share.

FINANCIAL CONDITION

At the year-end, the Company's inventories were \$30,028,000 against \$27,269,000 for the prior year and included inventories of the new branch stores. Total stocks are regarded as being on a very conservative level. Agings of inventories were excellent and turnover increased. LIFO reserves were \$3,994,000 against \$4,433,000 last year.

LONG TERM FINANCING

The acquisition of additional suburban stores and the increased investment in them made it advisable to secure additional capital funds. Increased customer receivables required greater working capital. Your Company, therefore, negotiated a loan of \$4,000,000 from the First National Bank of Boston for a term of six years to February 28, 1961, bearing an annual interest rate of 3½%.

During the past year, additional long term capital totaling \$6,466,000 was obtained by mortgage financing secured upon property owned by several of the real estate subsidiaries of the Company.

TERMINATION OF WISE, SMITH & COMPANY

Because of continuing losses of this subsidiary, it became advisable to discontinue the operations of the Wise, Smith & Company store in Hartford, Connecticut on May 12, 1954. The lease of the store property was terminated and the assets of this Company have been substantially liquidated. The loss resulting from the liquidation of this subsidiary is reflected in the attached statements.

EXPANSION AND IMPROVEMENTS

Lit Brothers

The Lit-Northeast store which opened on February 17, 1954 is producing excellent results according to plan.

To the Stockholders of City Stores Company

It is my sad duty to inform you that after the publication of the enclosed Annual Report, but before its distribution, we of City Stores Company suffered the great personal loss of a sincere friend and an able and loyal associate in the untimely death of our President, Mr. Herbert J. Schwartz, on April 11, 1955.

ALBERT M. GREENFIELD
Chairman of the Board

Construction of the new Lit-Camden, New Jersey store, consisting of three floors and a basement, totaling 145,000 square feet, is progressing and the store should be open for business in September, 1955. A commitment has been obtained for the permanent mortgage financing of this project. Parking facilities which are to be provided by the City of Camden in the immediate vicinity are scheduled to be opened simultaneously with the opening of this unit.

Maison Blanche

The new Service Building, the enlargement of selling space in the Budget Annex and a modern front to the Main Store were completed during the past year and have been instrumental in bringing additional sales and profits.

A new 60,000 square foot suburban unit, in addition to the two already operated by Maison Blanche, has been leased in a shopping center northwest of New Orleans on the Airline Highway, and should be ready for business by the Fall of 1956.

Loveman, Joseph & Loeb

The new suburban store in Montgomery was opened for business on September 10, 1954 and is progressing in a most satisfactory manner.

Also, the store in Bessemer, Alabama, which was opened in February, 1954 has lived up to expectations.

B. Lowenstein & Bros., Inc.

The addition to the Lowenstein-East store was opened in September, 1954 and has proven entirely satisfactory.

Arrangements have been made for another branch store of Lowenstein's to be located in the Whitehaven Plaza Center, six miles south of Memphis, Tennessee. The store will comprise 81,000 square feet, will have ample parking facilities and should be operating in the Spring of 1956.

Lansburgh's

The new Service Building, which was constructed adjacent to the main store premises, is completed and will facilitate operations and services of this Division.

The first suburban unit of Lansburgh's, which is located in Langley Park, Prince Georges County, Maryland, will be ready for occupancy in October, 1955.

Richard's

A new warehouse was purchased for the Richard Store Division, consisting of a one-story steel and concrete building of about 73,000 square feet on a lot of 135,000 square feet adjoining the Florida East Coast Railroad. It is presently in operation and greatly facilitates the handling of services of this Division.

R. H. White Corporation

The first branch store of R. H. White Corporation in Worcester has been operating since March, 1954 and is building acceptance according to plan.

City Specialty Stores, Inc.

Oppenheim Collins Division

The operations of the branch store in the Cross County Shopping Center in Westchester County, New York, as reported in last year's Annual Report, have been most satisfactory. A lease has been executed for a 16,000 square foot store in the Mondawmin Shopping Center in Baltimore, Maryland, and the store is expected to be in operation during the coming fiscal year.

Arrangements have also been made for the enlargement of the Haddonfield, New Jersey store by the addition of 5,000 square feet of selling space.

Franklin Simon Division

The Miami Beach and Memphis branches of this Company are presently in operation, and are showing progress.

PERSONNEL CHANGES

Harold W. Brightman was succeeded as President of Lit Brothers by Max Robb, Executive Vice President and General Merchandise Manager, who has been with the Company for many years. Mr. Brightman remains as a Vice President and Director of the Company.

The Company notes with sincere regret the passing of Saul Cohn, Vice Chairman of its Board of Directors and the past President of the Company from 1936 to 1949, and of Stanley Folz, General Counsel and Director of the Company for many years.

CONCLUSION

Your Company plans to continue the strengthening of its existing units by additional branch and suburban stores in the communities in which these units play a prominent part, and plans for new stores of this character will be negotiated as such expansion appears desirable. Favorable economic conditions in the areas served by the Company's stores warrant the confidence of your Management in the future growth and expansion of the stores in these communities.

Your Company is constantly on the alert to acquire young as well as seasoned executives and to aid and encourage their development as an essential asset of the business. The efforts of our executives and co-workers during the past year were a great contributing factor to your Company's welfare and progress. Market relations are excellent and the cooperation of the vendors of your Company is greatly appreciated.

Because of the foregoing, the sales and profits for the current 1955 year already reflect a healthy increase over the prior year and support the confidence of your Management in the future growth and stability of your Company.

Respectfully submitted,

HERBERT J. SCHWARTZ,
President

ALBERT M. GREENFIELD
Chairman of the Board

CITY STORES COMPANY AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF INCOME

	Year Ended	
	January 29, 1955	January 30, 1954 (Note)
Net sales (including leased departments)	\$241,754,553	\$233,226,864
Deduct:		
Cost of goods sold and operating expenses	230,000,525	223,246,751
Depreciation and amortization	2,394,213	2,278,135
Interest and debt expense	1,350,961	1,222,324
Carrying charges on customers' installment accounts	(2,025,047)	(1,772,408)
	<u>\$231,720,652</u>	<u>\$224,974,802</u>
Dividends from unconsolidated subsidiaries	\$ 10,033,901	\$ 8,252,062
Gains from disposal of capital assets	226,000*	565,000*
Loss on liquidation of subsidiary	646,578	—
Miscellaneous other income	(706,453)	—
	<u>176,340</u>	<u>266,114</u>
Income before federal income taxes	\$ 10,376,366	\$ 9,083,176
Federal taxes on income—Note B	4,931,320	4,078,617
Net income	<u>\$ 5,445,046</u>	<u>\$ 5,004,559</u>
Less minority share of net income	22,927	17,754
Net income applicable to City Stores Company	<u>\$ 5,422,119</u>	<u>\$ 4,986,805</u>

*NET INCOME OF UNCONSOLIDATED SUBSIDIARIES

Applicable to City Stores Company	<u>\$ 125,693</u>	<u>\$ 270,903</u>
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Note — Certain items reclassified.

CITY STORES COMPANY AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF SURPLUS

	Year Ended	
	January 29, 1955	January 30, 1954
CAPITAL SURPLUS		
Balance at January 30, 1954	\$ 10,747,589	
Excess of par value over cost of preferred stock reacquired	1,650,591	
Miscellaneous credits — net	26,393	
Balance at January 29, 1955	<u>\$ 12,424,573</u>	
EARNED SURPLUS — Notes B & C		
Balance at January 30, 1954	\$ 28,866,297	
Net profit for the year	5,422,119	
Deduct:		
Accumulated earnings of real estate subsidiary eliminated from consolidated statement of financial condition at January 29, 1955	\$ 55,118	
Cash dividends:		
Preferred stock — \$4.25 per share	442,150	
Common stock — \$1.40 per share	2,927,238	
	<u>\$ 3,369,388</u>	
		<u>3,424,506</u>
Balance at January 29, 1955	<u>\$ 30,863,910</u>	

Notes referred to follow.

CITY STORES COMPANY AND STATEMENT OF

ASSETS

	<u>January 29, 1955</u>	<u>January 30, 1954</u>
CURRENT ASSETS		
Cash	\$ 9,673,426	\$ 10,869,591
U. S. Government securities — at cost	—	60,600
Accounts receivable, customers and others, less allowances for doubtful...	56,062,063	48,835,541
Merchandise inventories — Note A	30,028,227	27,269,126
Supplies and prepaid items	1,567,582	1,924,442
TOTAL CURRENT ASSETS	\$ 97,331,298	\$ 88,959,300
INVESTMENTS AND OTHER ASSETS		
Investments in and advances to unconsolidated subsidiaries—see page 10..	\$ 1,469,987	\$ 1,936,595
U. S. Government securities deposited as security under lease	95,950	116,150
Mortgages receivable, sundry investments, and other items	741,129	864,151
Refundable income and excess profits taxes of prior years — estimated — Note B	796,977	845,506
	\$ 3,104,043	\$ 3,762,402
PROPERTY AND EQUIPMENT		
Land, buildings, leaseholds, fixtures and equipment — at cost	\$ 37,718,540	\$ 40,549,991
Less accumulated depreciation and amortization	14,152,441	15,026,068
	\$ 23,566,099	\$ 25,523,923
UNAMORTIZED DEBT EXPENSE	\$ 268,237	\$ 292,702
	<u><u>\$124,269,677</u></u>	<u><u>\$118,538,327</u></u>

Notes referred to follow.

CONSOLIDATED SUBSIDIARIES FINANCIAL CONDITION

LIABILITIES

	January 29, 1955	January 30, 1954
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 17,651,516	\$ 15,723,003
Federal taxes on income — estimated — Note B	7,919,636	7,346,987
Portion of long-term debt due within one year	743,000	1,474,312
Reserves for purchase discounts and mark-downs	468,910	606,197
TOTAL CURRENT LIABILITIES	\$ 26,783,062	\$ 25,150,499
LONG-TERM DEBT		
Notes payable — Note C	\$ 28,000,000	\$ 24,500,000
4% Sinking Fund Debentures (subordinated)—payable \$300,000 annually	4,500,000	4,780,000
Mortgages payable	268,000	961,953
	\$ 32,768,000	\$ 30,241,953
RESERVES		
For redemption of trading stamps and self-insurance	\$ 635,253	\$ 1,043,042
For restoration of leased properties	441,899	441,899
	\$ 1,077,152	\$ 1,484,941
MINORITY INTERESTS		
Preferred stock (par value)	\$ 363,000	\$ 394,900
Common stock equities	190,087	201,361
	\$ 553,087	\$ 596,261
CAPITAL STOCK AND SURPLUS		
Preferred Stock — \$100.00 par value — authorized 144,494 shares:		
4 $\frac{1}{4}$ % Convertible Preferred Stock — 90,148 shares outstanding (after deducting 3,646 shares in treasury) — Note D	\$ 9,014,800	\$ 11,181,500
Common Stock — \$5.00 par value — authorized 3,000,000 shares:		
2,157,018 shares outstanding (after deducting 12,423 shares in treasury) — Note D	10,785,093	10,269,287
Capital surplus	12,424,573	10,747,589
Earned surplus — Notes B and C	30,863,910	28,866,297
	\$ 63,088,376	\$ 61,064,673
LONG-TERM LEASES — Note E		
	\$124,269,677	\$118,538,327

UNCONSOLIDATED REAL ESTATE SUBSIDIARIES

COMBINED STATEMENT OF FINANCIAL CONDITION

Maison Blanche Corporation
 Loveman, Joseph & Loeb, Inc.
 The Franklin Simon Realty Corporation
 Lansburgh Realty Corporation

Richard Store Corporation
 R. H. White Realty Co., Inc.
 Oppenheim, Collins Corp. and Subsidiary
 Lits-Camden, Inc.

ASSETS

	January 29, 1955	January 30, 1954
Cash	\$ 176,817	\$ 45,159
Due from tenants and others	40,629	32,496
Due from parent companies	164,859	87,984
Prepaid expenses	62,340	20,533
Deposit on purchase of real property	—	62,500
Land, buildings, leaseholds and equipment — at cost	25,625,759	16,794,226
Less accumulated depreciation and amortization	7,627,775	5,122,979
	<u>\$ 17,997,984</u>	<u>\$ 11,671,247</u>
Unamortized mortgage expense	97,751	54,463
	<u><u>\$ 18,540,380</u></u>	<u><u>\$ 11,974,382</u></u>

LIABILITIES

Notes payable to bank	\$ —	\$ 300,000
Accounts payable and accrued expenses	342,496	130,291
Minority interest	375	498
Federal taxes on income — estimated	166,133	134,346
Mortgages and loan payable (including installments due within one year of \$672,784 and \$378,906 respectively)	16,473,424	9,339,772
Equity of City Stores Company and subsidiaries:*		
Advances from parent companies	1,544,376	2,069,540
Capital stocks and surplus (deficit)	13,576	(65)
	<u>\$ 1,557,952</u>	<u>\$ 2,069,475</u>
	<u><u>\$ 18,540,380</u></u>	<u><u>\$ 11,974,382</u></u>

Long-term leases: At January 29, 1955, there were 8 leases on real estate properties with terms expiring more than three years from that date at aggregate minimum annual rentals of approximately \$256,600 plus, in certain instances, charges for taxes and insurance.

*Carrying amount for these investments on statement of financial condition of City Stores Company and consolidated subsidiaries was \$1,469,987 at January 29, 1955.

CITY STORES COMPANY AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

January 29, 1955

Note A—Merchandise inventories were determined generally according to the retail inventory method and were priced in substantial part according to the LIFO method (before reserves for discounts and markdowns shown under current liabilities), and the balance, generally, at the lower of cost or market. Inventories priced according to the LIFO method are stated this year at \$3,993,739 and last year at \$4,432,595 less than they would have been if they had been priced at the lower of cost or market.

Note B—During the fiscal year ended January 31, 1946, Lit Brothers (now a division of City Stores Company) sold its main store property and concurrently with the sale, leased the property back from the buyer. In its returns for that year, the Company claimed a deductible loss in respect of such sale. The Company had received a ruling from the Bureau of Internal Revenue, supplemented by a closing agreement restricted to certain points in such ruling, stating in effect that any loss sustained on the sale of the property was deductible for tax purposes but not undertaking to establish the amount of loss.

On February 8, 1952, Lit Brothers received Revenue Agent's report for the fiscal years ended January 31, 1944 through 1948, in which adjustments were proposed which would result in net deficiencies in federal and state taxes of approximately \$5,525,000, exclusive of interest. This is \$4,985,000 in excess of reserves provided for this purpose. The report also proposes to disallow claims for refund of taxes on income which are being carried in the balance sheet at \$782,000. Protest has been filed by the Company with respect to all the adjustments and disallowances of claims, except certain adjustments amounting to approximately \$450,000 of tax liability. The principal item contested is the proposed disallowance of the loss on the sale of Lit Brothers' main store property, involving approximately \$4,750,000 of the taxes in controversy. The proposed disallowance of the loss by the Revenue Agent was not based upon determination by him of any factual points left unsettled by the Bureau's ruling to be established upon examination of the return and is, in the opinion of the Company's counsel diametrically opposed to the points established by the ruling and the closing agreement. In the opinion of the Company's counsel, the closing agreement is binding on the Treasury Department.

The amounts of the liability for federal and state taxes on income reflected in the accompanying financial statements include no specific provision for additional assessments of prior years' taxes against City Stores Company and/or its subsidiaries, except as herein set forth.

Note C—Under a loan agreement, dated November 19, 1951, the Company has borrowed \$23,500,000 from The Prudential Insurance Company of America, payable in annual installments on November 1 of each year in the amount of \$1,100,000 from 1957 to 1961, \$1,400,000 from 1962 to 1966 and \$1,600,000 from 1967 to 1970 and the balance on November 1, 1971.

Concurrently with said loan agreement, the Company borrowed \$1,500,000 from The First National Bank of Boston, payable in equal annual installments of \$500,000 on November 1 of each year. At January 29, 1955 the unpaid balance was \$1,000,000.

Under a loan agreement, dated January 6, 1955, the Company borrowed \$4,000,000 from The First National Bank of Boston, payable in semi-annual installments of \$400,000 each on the last days of February and August in each year, commencing with August 31, 1956.

NOTES TO FINANCIAL STATEMENTS (Continued)

The loan agreements provide, among other things, for (1) the maintenance of minimum consolidated working capital, (2) restrictions on the purchase, redemption or other acquisition of either class of the Company's stock except preferred stock as may be necessary to meet the sinking fund requirements, and (3) restrictions on the payment of cash dividends on the Company's Common Stock. Consolidated net earnings (as defined) available for payment or declaration of Common Stock dividends during the fiscal quarter following January 29, 1955 aggregate \$2,630,268.

Note D—The conversion rights under the Company's 4 $\frac{1}{4}$ % Convertible Preferred Stock may be exercised on or before February 1, 1966 for shares of Common Stock of the Company on the basis of specified common share valuations.

The Company's 4 $\frac{1}{4}$ % Convertible Preferred Stock is entitled to the benefit of a sinking fund and contains, among other things, provisions restricting and limiting funded debt, issuance of additional shares of Preferred Stock, authorization of mergers or consolidations, etc.

The authorized shares of Common Stock include 429,276 shares reserved for issuance upon conversion of the 4 $\frac{1}{4}$ % Convertible Preferred Stock.

Note E—At January 29, 1955, the Company and its consolidated subsidiaries had 53 leases on real estate properties (exclusive of intercompany leases) with terms expiring more than three years from that date. The aggregate minimum annual rental under such leases amounted to approximately \$2,372,000, plus, in certain instances, charges for taxes, insurance, and additional rental based on a percentage of sales over a fixed amount.

ERNST & ERNST

120 BROADWAY
NEW YORK

BOARD OF DIRECTORS,
CITY STORES COMPANY,
PHILADELPHIA, PENNSYLVANIA

We have examined the statement of financial condition of City Stores Company and consolidated subsidiaries as of January 29, 1955, and the related statements of income and surplus for the year (52 weeks) ended on that date. The consolidated financial statements include the assets and liabilities of City Specialty Stores, Inc. and certain of its subsidiaries, and results of operations of such companies, as reported by other independent accountants. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records of the companies (except City Specialty Stores, Inc. and subsidiaries) and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, based upon our examination and upon the reports of other independent accountants as to the financial statements of City Specialty Stores, Inc. and certain of its subsidiaries, the accompanying statement of financial condition and statements of income and surplus present fairly the consolidated financial position of City Stores Company and consolidated subsidiaries at January 29, 1955, and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

New York, N. Y.
April 4, 1955.

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